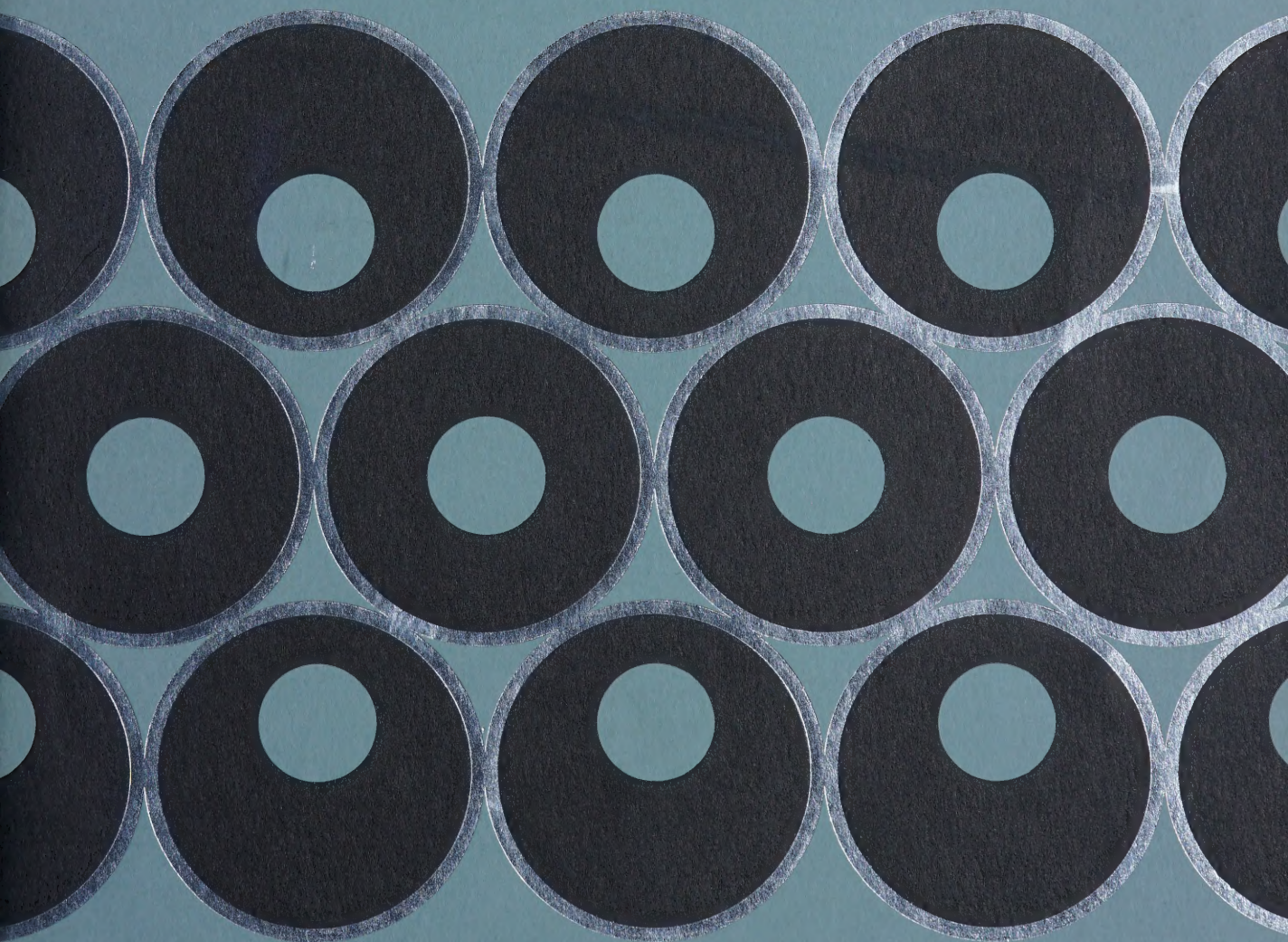


AR16

Interprovincial Steel and Pipe Corporation Ltd. Annual Report 1973



17th Annual Report



Interprovincial Steel And Pipe Corporation Ltd.

DIRECTORS

D. R. ANNETT, Toronto	President, Annett Partners Limited
C. S. EDY, Regina	Director of Personnel, Saskatchewan Power Corporation
W. M. ELLIOTT, Q.C., Regina	Partner, MacPherson, Leslie & Tyerman
B. M. HAMILTON, Hamilton	President, Slater Steel Industries Limited
J. V. KING, Regina	President, Continental Construction Ltd.
R. B. LOVE, Calgary	Partner, Macleod Dixon
C. S. McLEOD, Regina	Vice-President, Western Limited
J. D. MACLENNAN, Lumsden	Interprovincial Steel and Pipe Corporation Ltd.
HUGH A. MARTIN, Vancouver	President, Western Construction & Engineering Research Ltd.
A. HOADLEY MITCHELL, Edmonton	President, Mitchell & Associates Ltd.
G. P. OSLER, Toronto	Vice-Chairman, British Steel Corporation (Canada) Ltd.
N. B. PREECE, Hamilton	President, Stanton Pipes Ltd.
KEITH O. SADDLEMYER, Regina	Deputy Minister, Industry & Commerce, Gov't. Sask.
F. E. SHAW, Sarnia	Interprovincial Steel and Pipe Corporation Ltd.
ARTHUR J. R. SMITH, Ottawa	President, The Conference Board in Canada
J. N. TURVEY, Regina	Interprovincial Steel and Pipe Corporation Ltd.
L. G. WELCH, Calgary	Interprovincial Steel and Pipe Corporation Ltd.
M. WILKINSON, Vancouver	President, Lambton Steel Ltd.

EXECUTIVE OFFICERS

F. E. SHAW	Chairman of the Board
J. N. TURVEY	President
J. D. MACLENNAN	Vice-President-Finance
L. G. WELCH	Vice-President-Sales
M. WILKINSON	Vice-President
B. E. YEO	Secretary
W. H. BOULDING	Treasurer

REGISTRAR AND TRANSFER AGENTS

MONTREAL TRUST COMPANY
Common Shares
First Mortgage Sinking Fund Bonds (Series B)
First Mortgage Sinking Fund Bonds (Series C)
First Mortgage Sinking Fund Bonds (Series D)

CANADA TRUST COMPANY
Convertible Debentures

OFFICES

Head Office and Plant Location: P.O. Box 1670, Regina, Canada

Sales Offices:

Calgary — 2710 London House
Edmonton — 6735 - 75th Street
Regina — Armour Siding
Toronto — 32 Voyager Court, South
Vancouver — 1455 West Georgia St.
Winnipeg — 960 Powell Avenue

Plants:

Regina — Head Office
Edmonton — 6735 - 75th Street
Port Moody — 3190 Murray Street

Subsidiary Company — Wholly-owned — Lambton Steel Ltd.:

Plant and Sales Office — 1350 Rainbow Drive, North Vancouver, British Columbia

17th Annual Report

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Highlights Of The Year

	1973	1972
SALES	\$74,977,000	\$47,493,000
NET PROFIT BEFORE INCOME TAXES	\$11,601,000	\$ 7,365,000
NET PROFIT AFTER INCOME TAXES	\$ 6,496,000	\$ 3,781,000
NET PROFIT PER COMMON SHARE		
ACTUAL	\$ 1.89	\$ 1.19
FULLY DILUTED	\$ 1.83	1.08
DIVIDENDS PAID ON COMMON SHARES	\$ 1,574,000	\$ 911,000
PER SHARE	\$.45	\$.30
WORKING CAPITAL AT END OF YEAR	\$15,924,000	\$ 9,310,000
FIXED ASSET EXPENDITURES DURING THE YEAR ...	\$17,272,000	\$ 4,124,000
DEPRECIATION CHARGED DURING THE YEAR	\$ 1,692,000	\$ 1,306,000
NUMBER OF COMMON SHARES OUTSTANDING		
AT END OF YEAR	3,449,123	3,188,316
PRODUCTION OF INGOTS — NET TONS	381,000	302,000



Directors Report

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To The Shareholders

The Board of Directors submits herewith the Annual Report of your Company for the year ended August 31, 1973, together with the financial statements and the report of your auditors.

The year has been a record one in all divisions — sales, production and earnings. Dollar sales volume at \$74,977,000 was 58% more than the previous high of \$47,493,000 in 1972. Production of finished products in the IPSCO plants grossed 279,000 tons, an increase of 49% over 1972. Net profit after income taxes amounted to \$6,496,000 as compared to \$3,781,000 in 1972, an increase of 72% over 1972 earnings.

The significant increase in both production and sales last year was due to the following main factors:

- Completion of the expansion program which increased steel melting capacity to 600,000 tons per annum and steel rolling capacity to 850,000 tons per annum.
- A full year's operation of Lambton Steel Ltd. as a wholly-owned subsidiary of IPSCO.
- Acquisition of pipe mills in Alberta and British Columbia.

In addition to completing the main expansion program in March of 1973, which boosted ingot capacity to 600,000 tons per annum, two new soaking pits were constructed during May and June. The addition to soaking pit capacity was necessary to keep pace with

the increased steelmaking and rolling capabilities.

Lambton Steel Ltd., operating as a wholly-owned subsidiary of IPSCO, expanded their sales volume significantly last year. Lambton sales represented 15% of the total consolidated sales of IPSCO last year. On March 23, 1973, IPSCO completed the purchase of pipe mills at Port Moody, British Columbia, and Edmonton, Alberta. Sales from the output of these two plants for the last five months of the fiscal year accounted for 17% of IPSCO's consolidated sales for the full year.

Expansion of the Regina plants and acquisition of the Port Moody and Edmonton pipe mills last year raised fixed asset expenditures to a record of \$17,272,000. The major outlay of \$12,000,000 was for purchase of the two pipe mills. IPSCO now has manufacturing facilities in all three Western Provinces. Last year's expansion to the Regina steel plant enables the Company to supply the steel skelp requirements of all pipe plants. Depending on market conditions, the Port Moody plant can use either IPSCO steel or purchase steel from off-shore suppliers. The Regina and Edmonton pipe plants use IPSCO steel.

The growth in production and sales which has been experienced over the last several years has continued into the first quarter of the current fiscal year. Tonnage shipments during September and October of 1973 were 83% higher than in the comparable two-month period in 1972. World steel demand continues at a record high level with the result that a greater percentage of the Canadian steel

and pipe market is available to domestic suppliers. In addition, demand for steel products in the United States is so high that Canadian mills can divert large tonnages to this market if necessary to maintain a capacity level of operations.

At mid-October, 1973, IPSCO's forward order position in terms of dollar volume was equal to 24% of overall sales for the year ended August 31, 1973. Increased steel and pipe capacities have made possible the continuing increase in sales volumes during the current year. Firmer prices in all product lines will assist to some degree in off-setting higher prices for materials and labor this year.



IPSCO's new ultra-high frequency furnace boosts ingot capacity to 600,000 tons per annum.

Sales

Dollar sales volume for the year ended August 31, 1973, rose to a record level of \$74,977,000, an increase of 58% over the previous high of \$47,493,000 in 1972. The 1973 sales include sales by Lambton Steel Ltd. for the full year and sales resulting from the acquisition in March, 1973, of pipe plants in Alberta and British Columbia. Tonnage sales also increased by 46% to 335,000 tons as compared to 230,000 tons in 1972. Dollar and tonnage trends of sales over the last ten years were as follows:

Year Ended August 31	Total Sales Tons	Volume Dollars	Percentage Change In Dollar Volume Over Previous Year
1964	77,000	13,304,000	+ 3
1965	108,000	17,969,000	+ 35
1966	93,000	17,329,000	— 4
1967	87,000	14,658,000	— 16
1968	95,000	15,515,000	+ 6
1969	122,000	20,483,000	+ 32
1970	134,000	26,672,000	+ 30
1971	149,000	30,075,000	+ 13
1972	230,000	47,493,000	+ 58
1973	335,000	74,977,000	+ 58

Sales of tubular products increased by 50% in tonnage volume and 58% in dollar volume over 1972. Sales of API line pipe in the size range from ½" to 16" diameter increased by 9% in tonnage volume and 19% in dollar volume over 1972 levels. The largest increase in tubular product sales was for large diameter spiral weld pipe with an increase of 52% in tonnage volume and 39% in dollar volume over 1972. Oil and gas well casing sales, with production from three mills for the last five months of fiscal 1973, showed the largest percentage gain 227% in tonnage sales and 271% in dollar sales volume. All other tubular products also increased in both tonnage and dollar sales volume in 1973.

Steel sales (sheet, plate and coil) increased by 55% over 1972. With additional ingot and rolling capacity available for the current year, more tonnage will be available for sales of steel products. The demand for steel plate, sheet and coil in IPSCO's primary market area is now very strong. Orders on hand in mid-October were equal to 25% of total steel sales last year.

Last year's buoyant demand for steel and pipe has continued into this year, bringing the Company to the strongest forward order position in its history. There has been a significant shift in the variety of products in forward order this year compared to 1973, with only a minor tonnage being in large diameter spiral weld pipe and substantial increases in all other products. A major reason for the decrease in demand for large diameter pipe is the inconclusive nature of continuing discussions at the provincial, federal and international levels of governments with respect to an overall energy policy for Canada. The major companies in the oil and gas transmission industry have deferred planning for system expansion until a clearer picture of government energy policy is presented. This will result in a significant reduction in large diameter pipe markets in Canada in 1974. There is a continuing strong demand for large diameter pipe in the United States and IPSCO's output of this product could be diverted to the U.S. market in 1974. However, the strong domestic demand for all other products should suffice to increase sales of ERW pipe, casing, structurals and steel products to compensate for the decrease in large diameter markets.

Production

Steel ingot production increased by 26% last year to 381,000 tons as compared to 302,000 tons in 1972. The break-in of the new ultra-high power electric furnace, which began on March 23, 1973, took longer than forecast, caused by malfunctioning of certain auxiliary equipment and the need to develop new operating procedures to adapt to this facility. It was not possible to take full advantage of the increased melt shop capacity until July of 1973 when two additional soaking pits were completed. However, these expanded facilities are available for this year's production program.

Output of finished products in the IPSCO plants for the year ended August 31, 1973, totalled 279,000 tons, an increase of 49% above the 1972 total of 187,000 tons. An important contribution toward this increase came during the last five months of the fiscal year from the Port Moody and Edmonton pipe plants. The origin of finished products produced by plants last year is as follows:

Regina	220,000 Tons	79% (12 months)
Edmonton	40,000 Tons	14% (5 months)
Port Moody	19,000 Tons	7% (5 months)
Total (1)	279,000 Tons	100%

(1) In addition to IPSCO steel being used to produce the finished product, an additional 46,000 tons of steel was purchased and processed.

Tubular products accounted for 257,000 tons, up 52% from the 1972 production level of 169,000 tons. Sheet and plate production increased by 29% to 23,000 tons from 18,000 tons in 1972. The largest tonnage increase for any one product was for API large diameter pipe, up 54% from the production in 1972. In addition to the production of finished product at the IPSCO plants, Lambton Steel Ltd. processed 60,000 tons of steel.

Raw Materials And Inventories

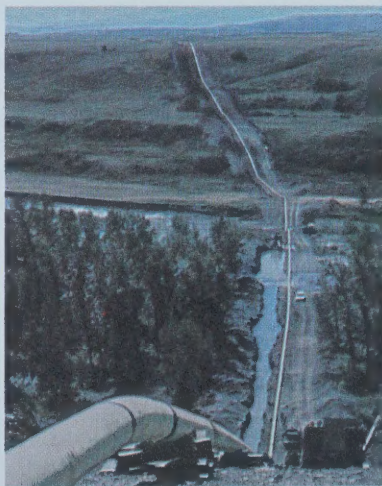
The cost of steelmaking raw materials rose appreciably during the past year. This was brought about by an unprecedented world demand for iron and steel, and by major changes in relative values of international currencies. The upward push of world demand for scrap iron and steel had a corresponding influence upon prices. From September 1972 to August 1973 the quoted price for steel scrap in Chicago increased by 43%. Much of the pressure on scrap prices came from foreign purchasers, particularly from Japan, and other Asian countries, as well as from Spain and Italy.

To check an explosive growth in scrap steel exports, the United States government made severe restrictions through a series of regulations. The Canadian government soon followed suit. But orders placed before the enactment of these controls were not affected, because many countries (especially Japan) had placed large orders in anticipation of restrictions. Supplying this back-log of orders continues to exert pressure on North American supplies of steel scrap.

Scrap export controls in the U.S. are still in effect and will continue to affect scrap supply to IPSCO. These measures, combined with rail strikes during the last fiscal year, disrupted the flow of scrap. However, inventories were sufficient to maintain steel production at required levels until the supply situation improved. Scrap shipments to Canada and Mexico from the U.S. are now regulated by a quota system, with an embargo on exports to other countries except those to fill prior orders.

IPSCO's share of the quota, together with normal Canadian supplies, will permit the use of maximum ingot capacity, providing the current situation with regard to steel scrap supply from United States sources does not worsen.

An automobile shredding plant is under construction and should be in operation in December of this year. This will be an entirely new source of scrap for IPSCO, adding 75,000 to 100,000 tons per year to the scrap supply. Large inventories of cars have been assembled and a collection system sponsored by the provincial government is in full operation. Additional numbers of automobiles are to be shipped to Regina from adjacent states. Access to these new reservoirs of basic material will relieve the need to buy scrap from areas in the U.S. most distant from Regina.



There is a continuing strong demand for line pipe in Western Canada for the gathering, transmission and distribution of petroleum and natural gas.

The company continued to study the feasibility of producing sponge iron pellets to supplement scrap supplies. Technology of direct reduction has continued to improve and a number of processes now seem adapted to commercial operation. The Battelle Memorial Institute's report on direct reduction processes, which was related directly to IPSCO's Regina facilities in calculating data on comparative costs, should be valuable in furthering the development of such a plant. Sources of iron ore are available and during 1974 it will be possible to plan a definite program to establish a sponge iron plant to supply reduced pellets to the Western Canadian steel industry. Increases in prices of scrap have narrowed the cost margin between scrap and reduced pellets. The development of a direct reduction plant to supplement scrap supplies would assure a stable supply of raw material for future growth in steelmaking capacity at IPSCO as markets warrant.

The purchase of the Port Moody and Edmonton pipe mills included their inventories. This purchase, together with an increase in operating levels at Regina, resulted in an increase in inventory from \$14 million in 1972 to \$23 million as at August 31, 1973. The rate of inventory turnover was maintained at slightly over three times gross sales and is expected to improve as operations reach higher capacities during the current year.

Expansion Program

Last year the net additions to fixed assets amounted to \$17,272,000. Major items of expenditure are summarized below:

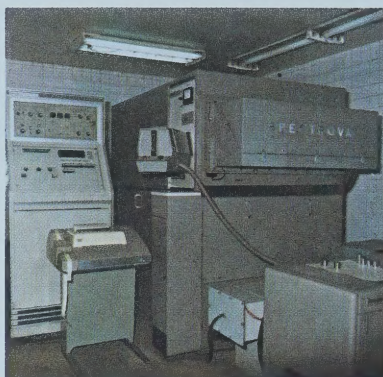
Operating Department	Fixed Asset Expenditures
Steel Division	
Melt Shop	\$ 3,616,000
Soaking Pits	450,000
Rolling Mills	628,000
General	594,000
Pipe Division	
Edmonton Plant—acquisition	8,000,000
Port Moody Plant—acquisition	4,000,000
Regina Spiral Mill	742,000
General	147,000
Lambton Steel Ltd. — net additions	54,000
Total Fixed Asset Additions — 1973	\$18,231,000
* Less DREE Grant Progress Payments	959,000
Net addition to Fixed Assets ..	<u>\$17,272,000</u>

* The Federal Department of Regional Economic Expansion

The completion of IPSCO's most recent expansion program, in March of 1973, has provided the Company with steel melting and refining facilities to produce at capacity 600,000 ingot tons per annum. The Company, with the acquisition of the Edmonton and Port Moody pipe mills, now has finishing facilities in three plant locations in excess of this level of ingot production so that a high level of capacity can be maintained for several different combinations of end product mix.

On completion of the ultra-high frequency electric steel furnace in February, 1973, it was determined that the existing seven soaking pits could not service the new rate of ingot production made possible thereby. Two additional pits were completed in July of 1973.

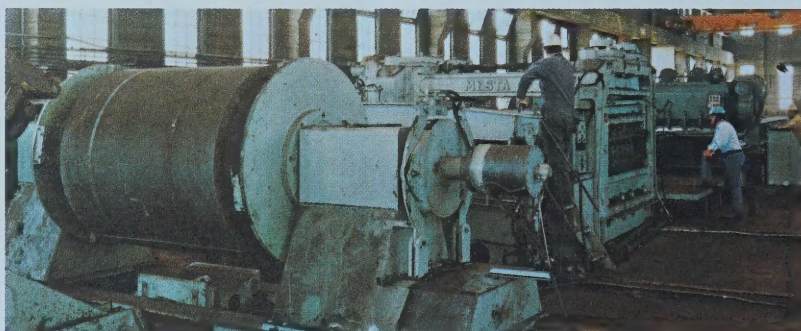
Lambton Steel Ltd. processes heavy plate from coil to flat cut-to-length plate at the plant in North Vancouver.



The Spectro-Vac analyzer provides computer efficiency to the testing of steel. A complete analysis of all elements in a steel sample is produced in 20 seconds.

Last year IPSCO purchased a cold rolling mill as used equipment from a U.S. source. This mill is to be used at the appropriate time to process further the hot rolled coils, presently produced, into light gauge cold rolled material for the Western market.

The capacity of the cold rolling mill, at 100,000 tons per annum, is commensurate with the forecast size of the market. The mill will be stored until galvanizing facilities are acquired, because the major portion of cold rolled product sales in Western Canada is in the form of galvanized sheet and coil.



Lambton Steel Ltd.

Sales by Lambton Steel Ltd. for the year ended August 31, 1973, totalled \$11,214,000 or 15% of IPSCO's consolidated sales for the year.

Steel sales during the current year have been consolidated into Lambton so that hot rolled sheet and plate scheduling will be administered under a single sales agency. The volume of sales is expected to increase substantially during the current year. The reduction in quantities from offshore sources coupled with dramatic price increases of imported products has created a strong demand for sheet and plate, and imposed increased pressures on all Canadian mills. IPSCO is meeting much of this demand from increased ingot capacity.

The demand for steel sheet and plate in Western Canada is at record levels and this condition is forecast to continue in 1974. Every effort is being made to meet this demand and a substantial increase in the production of these products will be available to steel customers in the primary market.

Acquisition Of Canadian Phoenix Mills

On March 23, 1973, IPSCO completed the purchase of assets from Canadian Phoenix Steel & Pipe Ltd. Plant facilities at Edmonton, Alberta, and Port Moody, British Columbia, were purchased for \$12,000,000. The Edmonton plant comprises a 3½" to 16" diameter pipe mill, a 20" to 80" spiral pipe mill and threading equipment used in the production of oil and gas well casing. Capacity of the 3½" to 16" diameter pipe mill is 180,000 tons per annum and the spiral pipe mill's capacity is 48,000 tons per annum.

The Port Moody facilities include two mills, one in the size range from ½" to 1½" diameter and the other from 2" to 4½" diameter line pipe. There are also a galvanizing line and facilities for upsetting and threading oil and gas well casing and production tubing. The capacity of the Port Moody plant is 80,000 tons per annum.

The acquisition included fixed assets to a value of \$12,000,000, inventories valued at \$6,218,000 and accounts receivable in the amount of \$2,136,000. After deducting accounts receivable, which have been collected, the net cost of these assets came to \$18,218,000. In addition, the Company entered into a five-year contract to manage a pipe mill situated at Calgary, Alberta, on an earnings and loss sharing basis. The contract includes an option to purchase the mill and a first right of refusal.



PORT MOODY MILLS

The manufacturing facilities at Port Moody, British Columbia, blend well with IPSCO's other plants in that they fill out the product range, adding small diameter pipe down to ½" diameter. The Port Moody plant also has one of the world's most modern facilities for producing external upset tubing. An electrically heated furnace (the only one of its kind in Canada) stress relieves the pipe as part of the manufacturing process. The supply of oil country tubular goods (casing and tubing) from the Port Moody plant strengthens IPSCO's competitive position in this important market. Galvanized conduit for use in the construction of commercial and industrial plants is also produced. The small diameter pipe improves IPSCO's ability to service the gas utility, construction and plumbing pipe markets. In addition to servicing the Western Canadian market the Port Moody plant has traditionally serviced the Pacific Northwest market in the United States.

In the production of tubing the pipe ends are heated electrically and upset. The induction heating process thickens pipe wall for threading.

The production of galvanized conduit is an important division of the Port Moody manufacturing operations.

In the production of pipe on the two mills at Port Moody, the pipe is continuously formed, welded and cut-to-length.

In addition to extending the range of product, the Port Moody plant also produces casing and tubing for the Western Canadian petroleum industry.

Acquisition Of Canadian Phoenix Mills

EDMONTON MILLS

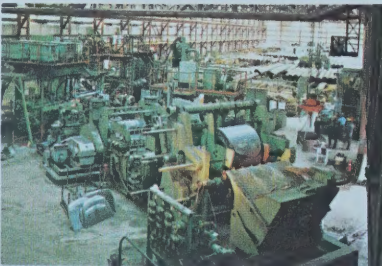
The Edmonton ERW mill, producing line pipe in sizes from 3½" to 16" diameter provides IPSCO with an Alberta production source to service the utility and gas transmission markets. The mill is capable of supplying large project tonnage orders and with the combined capacity of the Edmonton and Regina mills, the market can be serviced more efficiently. Edmonton also has fully automatic, high-speed threading equipment for production of oil country tubular goods. With pipe mills in three locations in Western Canada, IPSCO's ability to fully service the oil and gas industry's tubular requirements is greatly improved. In addition to increasing the demand for skelp produced at the Regina steel mill, shipment of the finished pipe from the closest production point to market destination points will result in a significant savings in freight costs.

The Edmonton plant is ideally located for servicing the pipe requirements of the Canadian Arctic.

Oil and gas well casing is produced at Edmonton on fully automatic high-speed threading equipment.

On project orders pipe is transported by truck directly to the pipeline right-of-way.

The large diameter spiral pipe mill at Edmonton can produce 90 ft. lengths of pipe in diameters up to 80". IPSCO now has four spiral pipe mills.



A feature of the Edmonton ERW mill is a pit-type looper that permits the splicing of coils and continuous forming and welding of pipe.

A highly developed system of ultrasonic testing is used at all IPSCO pipe mills to ensure product quality.

Financial

Consolidated operations for the year resulted in earnings before depreciation and income tax of \$13,293,000. After providing for depreciation of \$1,692,000 and income taxes of \$5,105,000, net earnings for the year amounted to \$6,496,000. The net earnings per common share, calculated by using the weighted average number of common shares outstanding during the respective fiscal years and allowing for dividends on preference shares, was \$1.89. Net earnings per common share on a fully diluted basis, which reflects the conversion into common shares of the convertible debentures, was \$1.83. The percentage of net earnings to sales was 8.7% as compared to 8.0% for the year ended August 31, 1972.

The shareholders' equity amounted to \$33,686,000 at August 31, 1973, as compared to \$28,326,000 at August 31, 1972. Equity at the year's end came to

\$9.63 for each common share, with 3,499,123 common shares issued. The percentage of net earnings to shareholders' equity was 21% as compared to 14% for the year ended August 31, 1972. During the year dividend payments of \$.45 per common share outstanding were paid, to a total of \$1,574,000.

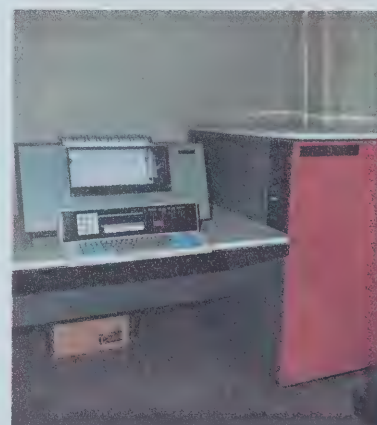
The ratio of depreciated fixed assets to long-term debt at August 31, 1973 was 2.2 to 1, providing approximately \$2,200 security for each \$1,000 in long-term debt as compared to a ratio of 4.5 to 1 at August 31, 1972. The decrease in this ratio is mainly attributed to the purchase of fixed assets in Edmonton, Alberta, and Port Moody, British Columbia, for \$12,000,000 and to the assumption of a long-term bank loan of \$12,000,000. The following summary shows the comparison of depreciated fixed assets to long-term debt for the past ten years:

Year Ended August 31	Depreciated Fixed Assets	Long-term Debt	Ratio
1964	\$22,106,000	\$11,150,000	2.0 to 1
1965	21,922,000	12,031,000	1.8 to 1
1966	24,101,000	10,495,000	2.3 to 1
1967	24,116,000	9,917,000	2.4 to 1
1968	26,089,000	10,884,000	2.4 to 1
1969	25,698,000	7,834,000	3.3 to 1
1970	27,113,000	7,729,000	3.5 to 1
1971	27,823,000	6,891,000	4.0 to 1
1972	30,641,000	6,808,000	4.5 to 1
1973	46,221,000	21,201,000	2.2 to 1

On December 1, 1972 a payment of \$625,000 was made on the 5½% first mortgage sinking fund series A bonds and subse-

quent to this date and prior to February 16, 1973, the remaining portion of the bonds due December 1, 1973 in the amount of \$626,000 were retired.

On March 23, 1973, pipe mills in Edmonton, Alberta, and Port Moody, British Columbia, were purchased, together with inventories and accounts receivable, for \$20,354,000. This was financed by the assumption of a \$12,000,000 long-term bank loan and \$3,695,000 in accounts payable plus a cash payment of \$4,659,000.



IPSCO's quality control department uses a "System 3" computer in developing manufacturing standards and procedures.

Directors Report

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Financial

On August 31, 1973, working capital was \$15,924,000 as compared to \$9,310,000 on August 31, 1972. The operations generated cash in the sum of \$10,629,000 comprised of net income after taxes of \$6,496,000, deferred income taxes of \$2,441,000 and depreciation of \$1,692,000. In addition to cash generated from operations during the year, \$1,764,000 resulted from the conversion of debentures and preference shares, \$300,000 was received from the sale of common shares on the exercising of options, \$6,929,000 was received from the sale of 8½% first mortgage sinking fund bonds Series D and \$12,000,000 was received from the bank on a long-term loan basis. Total funds from all sources amounted to \$31,621,000. These funds were used to purchase fixed assets of \$17,272,000, to retire long-term debt of \$4,536,000, to convert and redeem preference shares of \$1,617,000, to pay dividends of \$1,582,000 and to increase working capital by \$6,614,000. The following is a comparison of the working capital and change in working capital over the past ten years:

Year Ended August 31	Working Capital	Increase or (Decrease)
1964	\$ 1,045,000	\$ 327,000
1965	4,892,000	3,847,000
1966	7,236,000	2,344,000
1967	8,073,000	837,000
1968	7,360,000	(713,000)
1969	5,752,000	(1,608,000)
1970	7,272,000	1,520,000
1971	7,556,000	284,000
1972	9,310,000	1,754,000
1973	15,924,000	6,614,000

The Directors approved two dividend payments on common shares during the fiscal year, as follows:

Date Declared	Date Paid	Total Amount	Amount Per Common Share
April 24, 1973	May 28, 1973	\$ 874,000	\$.25
July 23, 1973	August 21, 1973	<u>700,000</u>	<u>.20</u>
		<u>\$1,574,000</u>	<u>\$.45</u>

The comparison of dividends paid per common share with net earnings per common share for the past five fiscal years is as follows:

Fiscal Year	Net Earnings Per Common Share	Dividends Paid Per Common Share	Percentage of Dividends To Per Share Earnings
1969	\$0.13	Nil	Nil
1970	0.56	\$0.10	18%
1971	0.30	0.15	50%
1972	1.19	0.30	25%
1973	1.89	0.45	24%

Respectfully submitted on behalf of the Board of Directors.

J. N. TURVEY,
President.

Regina, Canada
November 23, 1973.



IPSCO's registered trademark with the Canada Goose insignia is well known to the oil and gas industry.



Large diameter pipe is automatically cut-to-length using high-speed torch cutting equipment which travels with the pipe during the cutting operation.

Financial Statements

Interprovincial Steel And Pipe Corporation Ltd. And Subsidiary Company

Consolidated Statement Of Earnings

And Retained Earnings For The Year Ended August 31, 1973

	1973	1972
EARNINGS		
REVENUE		
Sales	\$74,977,000	\$47,493,000
EXPENSE		
Cost of Sales, exclusive of the following items	60,466,000	38,369,000
Interest on long-term debt	1,218,000	453,000
Depreciation (Note 3)	1,692,000	1,306,000
	<u>63,376,000</u>	<u>40,128,000</u>
EARNINGS BEFORE INCOME TAXES	11,601,000	7,365,000
PROVISION FOR INCOME TAXES (Note 6)		
Current	2,664,000	2,081,000
Deferred	2,441,000	1,503,000
	<u>5,105,000</u>	<u>3,584,000</u>
NET EARNINGS FOR THE YEAR	<u>6,496,000</u>	<u>3,781,000</u>
EARNINGS PER COMMON SHARE		
Actual	<u>\$1.89</u>	<u>\$1.19</u>
Fully diluted	<u>\$1.83</u>	<u>\$1.08</u>
RETAINED EARNINGS		
BALANCE AT BEGINNING OF YEAR	15,723,000	13,785,000
Net earnings for the year	<u>6,496,000</u>	<u>3,781,000</u>
	<u>22,219,000</u>	<u>17,566,000</u>
Excess of cost of investment in subsidiary company over book value at date of acquisition	—	816,000
Dividends	<u>1,582,000</u>	<u>1,027,000</u>
	<u>1,582,000</u>	<u>1,843,000</u>
BALANCE AT END OF YEAR	<u>\$20,637,000</u>	<u>\$15,723,000</u>

Financial Statements

Interprovincial Steel And Pipe Corporation Ltd. And Subsidiary Company
Incorporated Under The Companies Act Of Saskatchewan

Consolidated Balance Sheet As At August 31, 1973

ASSETS

CURRENT ASSETS

	1973	1972
Accounts receivable	\$17,476,000	\$ 8,281,000
Inventories valued at the lower of cost and net realizable value		
Finished and semi-finished products	17,349,000	8,642,000
Materials and supplies	5,299,000	5,816,000
Prepaid expenses	603,000	322,000
	<u>40,727,000</u>	<u>23,061,000</u>

FIXED ASSETS at cost

Land (including iron ore property)	1,561,000	477,000
Buildings	8,241,000	4,972,000
Machinery and equipment	<u>46,224,000</u>	<u>33,397,000</u>
	56,026,000	38,846,000
Accumulated depreciation	<u>9,805,000</u>	<u>8,205,000</u>
	<u>46,221,000</u>	<u>30,641,000</u>

<u>\$86,948,000</u>	<u>\$53,702,000</u>
---------------------	---------------------

SIGNED ON BEHALF OF THE BOARD

F. E. SHAW, Director

J. N. TURVEY, Director

LIABILITIES

CURRENT LIABILITIES

	1973	1972
Bank indebtedness (Note 4)	\$14,094,000	\$ 4,589,000
Notes payable	—	500,000
Accounts payable and accrued liabilities	7,497,000	4,551,000
Income and other taxes	1,939,000	2,887,000
Current maturity on long-term debt	1,273,000	1,186,000
Dividend payable on preference shares	—	38,000
	<u>24,803,000</u>	<u>13,751,000</u>

LONG-TERM DEBT (Note 5)

21,201,000	6,808,000
------------	-----------

DEFERRED INCOME TAXES (Note 6)

<u>7,258,000</u>	<u>4,817,000</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 7)

Authorized

125,000 \$1.20 cumulative redeemable convertible preference
shares of no par value

5,000,000 common shares of no par value

Issued

Nil preference shares (1972 — 75,941 shares)	—	1,617,000
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3,499,123 common shares (1972 — 3,188,316 shares)	13,049,000	10,986,000
---	------------	------------

RETAINED EARNINGS (Note 8)

<u>20,637,000</u>	<u>15,723,000</u>
-------------------	-------------------

<u>33,686,000</u>	<u>28,326,000</u>
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<u>\$86,948,000</u>	<u>\$53,702,000</u>
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Auditors' Report To The Shareholders

To The Shareholders
Interprovincial Steel and Pipe Corporation Ltd.

We have examined the consolidated balance sheet of Interprovincial Steel and Pipe Corporation Ltd. and its subsidiary as at August 31, 1973 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at August 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. All the transactions of the companies that have come to our notice have been within the objects and powers of the companies.

Riddell, Stead & Co.
Chartered Accountants

Regina, Saskatchewan
October 30, 1973

Large diameter spiral weld pipe is used extensively for the transmission of petroleum and natural gas. IPSCO has pioneered the development of high-grade thin wall steel pipe.



Financial Statements

Interprovincial Steel And Pipe Corporation Ltd. And Subsidiary Company

15

Consolidated Statement Of Source And Application Of Funds For The Year Ended August 31, 1973

	1973	1972
SOURCE OF FUNDS		
Operations		
Net earnings	\$ 6,496,000	\$ 3,781,000
Non-cash charges		
Depreciation	1,692,000	1,306,000
Provision for deferred income taxes	2,441,000	1,503,000
	<u>10,629,000</u>	<u>6,590,000</u>
Long-term bank loan	12,000,000	1,750,000
Sale of 8 $\frac{7}{8}$ % first mortgage sinking fund bonds Series D	6,929,000	—
Conversion of debentures and preference shares to common shares . .	1,763,000	1,209,000
Common shares issued for purchase of subsidiary company	—	1,000,000
Exercise of options on common shares	300,000	—
Long-term debt assumed on acquisition of subsidiary company	—	55,000
	<u>31,621,000</u>	<u>10,604,000</u>
APPLICATION OF FUNDS		
Expenditures for fixed assets	17,272,000	4,124,000
Excess of cost of investment in subsidiary company over book value at date of acquisition	—	816,000
Reduction of long-term debt		
Funds	4,372,000	1,674,000
Conversion to common shares	164,000	214,000
Redemption of preference shares	18,000	—
Conversion of preference shares to common shares	1,599,000	995,000
Dividends	<u>1,582,000</u>	<u>1,027,000</u>
	<u>25,007,000</u>	<u>8,850,000</u>
INCREASE IN WORKING CAPITAL	6,614,000	1,754,000
Working capital at beginning of year	<u>9,310,000</u>	<u>7,556,000</u>
WORKING CAPITAL AT END OF YEAR	<u>\$15,924,000</u>	<u>\$ 9,310,000</u>

Financial Notes

Interprovincial Steel And Pipe Corporation Ltd. And Subsidiary Company

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Notes To Consolidated

Financial Statements For The Year Ended August 31, 1973

1. CONSOLIDATION

The consolidated financial statements include the accounts of the wholly-owned subsidiary, Lambton Steel Ltd.

2. ACQUISITION OF PIPE MILLS

On March 23, 1973, the company purchased pipe mills located in Edmonton, Alberta and Port Moody, British Columbia as follows:

Assets acquired	
Fixed assets	\$12,000,000
Inventories	6,218,000
Accounts receivable	<u>2,136,000</u>
	<u>20,354,000</u>
Consideration	
Liabilities assumed	
Long-term bank loan	12,000,000
Accounts payable	3,695,000
Cash	<u>4,659,000</u>
	<u>\$20,354,000</u>

In addition, the company entered into a five-year contract to manage a pipe mill located in Calgary, Alberta on an earnings and loss sharing basis. The contract includes an option to purchase the mill and a first right of refusal.

3. DEPRECIATION

Provision for depreciation is calculated using the straight line method at rates based on the estimated useful lives of the depreciable assets.

4. BANK INDEBTEDNESS

Current bank indebtedness of \$14,094,000 is secured by a general assignment of book debts and Section 88 of the Bank Act. In addition, the banks hold floating charges on the assets of the companies.

Financial Notes

Interprovincial Steel And Pipe Corporation Ltd. And Subsidiary Company

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Notes To Consolidated

Financial Statements For The Year Ended August 31, 1973

5. LONG-TERM DEBT

	1973	1972
First mortgage sinking fund bonds		
5½% Series A maturing December 1, 1973	\$ —	\$1,251,000
6½% Series B maturing August 15, 1985	2,057,000	2,057,000
6½% Series C maturing August 15, 1985	1,137,000	1,195,000
8½% Series D maturing December 1, 1987	7,000,000	—
Bank loans secured by a first mortgage debenture and a floating charge due September 1, 1975 with interest at the bank's prime rate plus 1½%	12,000,000	3,000,000
Debentures		
6% Convertible sinking fund maturing December 1, 1974	280,000	443,000
8% Agreement for sale repayable over nine years	—	48,000
	<u>22,474,000</u>	<u>7,994,000</u>
Payments due within one year included in current maturity	<u>1,273,000</u>	<u>1,186,000</u>
	<u>\$21,201,000</u>	<u>\$ 6,808,000</u>

Estimated sinking fund and loan payments over the next five years, assuming no further debentures are converted to common shares, are as follows: Years ended August 31, 1974 — \$1,273,000; 1975 — \$1,721,000; 1976 — \$10,786,000; 1977 — \$577,000; 1978 — \$896,000.

6. DEFERRED INCOME TAXES

In accordance with the 1969 recommendations of the Canadian Institute of Chartered Accountants, the companies have provided for deferred income taxes of \$2,441,000 on current earnings. These income taxes will not be currently payable as a result of claiming for income tax purposes depreciation in excess of the amounts recorded in the accounts. This accumulated amount is shown on the balance sheet as deferred income taxes. Similar tax reductions in the years prior to 1969, amounting to \$6,339,000, have not been included.

Financial Notes

Interprovincial Steel And Pipe Corporation Ltd. And Subsidiary Company

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Notes To Consolidated Financial Statements For The Year Ended August 31, 1973

7. CAPITAL STOCK

Changes in capital stock during the year ended August 31, 1973 were as follows:

	Common Shares		Preference Shares	
	Number	Consideration	Number	Consideration
Balance at beginning of year	3,188,316	\$10,986,000	75,941	\$ 1,617,000
Preference shares converted during the year on basis of three common shares for one preference share	225,288	1,599,000	(75,096)	(1,599,000)
Exercise of options on common shares	60,000	300,000		
Conversion during the year of 6% convertible sinking fund debentures at the rate of \$6.30 and \$6.43 per share	25,519	164,000		
Redemption of preference shares			(845)	(18,000)
Balance at end of year	<u>3,499,123</u>	<u>\$13,049,000</u>	<u>Nil</u>	<u>\$ Nil</u>

There are 43,546 common shares reserved at August 31, 1973 for possible issuance upon conversion of the 6% convertible sinking fund debentures to November 30, 1974 at a maximum price of \$6.43 per share.

8. DIVIDEND RESTRICTIONS

The deed of trust and mortgage securing the first mortgage bonds restricts the payment of dividends on any class of the company's capital stock if the net working capital of the company is, or by reason of the payment of such dividend would be reduced to, less than \$5,500,000 or, the shareholders' equity at August 31, 1973 reduced to less than \$25,468,000.

9. OFFICERS' AND DIRECTORS' REMUNERATION

Remuneration totalling \$403,000 was paid to the directors and senior officers of the company by the company and its subsidiary during the year.



On June 21, 1973, IPSCO produced its two millionth ton of steel. After the steel is poured into ingot molds in the new Melt Shop, the ingots are transferred to the rolling mills on ingot cars.

The production of casing and tubing is an important product division of IPSCO. Oil country tubular goods can now be supplied from the three plant locations in Western Canada.

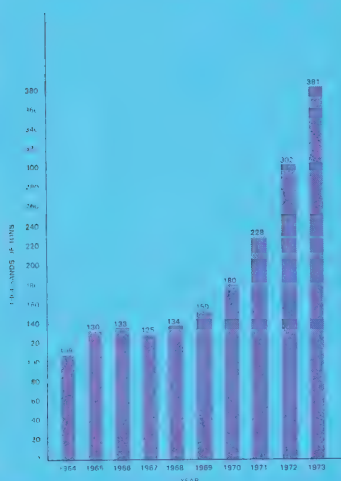
The use of non-destructive testing equipment such as the Ultrasonic inspection machines result in the consistent production of a high quality of product.

Spiral Weld large diameter pipe is a preferred product for use in high-pressure oil and natural gas transmission lines. This method of manufacturing results in a straighter pipe that is perfectly round in circumference. These features make for easier installation and welding in the field.



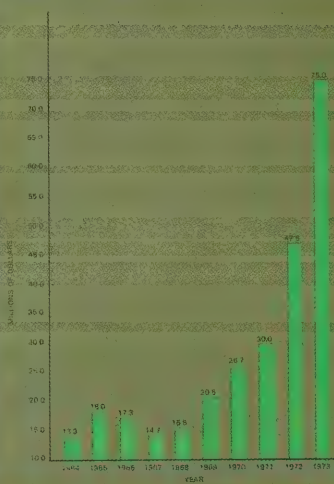
PRODUCTION OF STEEL INGOT

(Thousands of Tons)



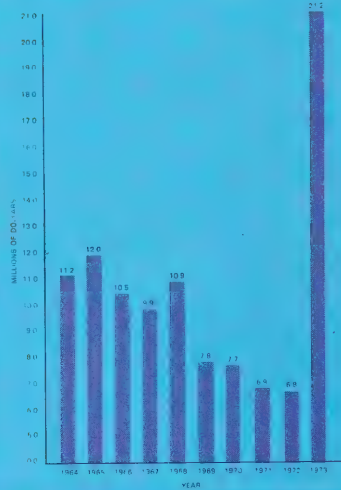
DOLLAR SALES VOLUME

(Millions of Dollars)



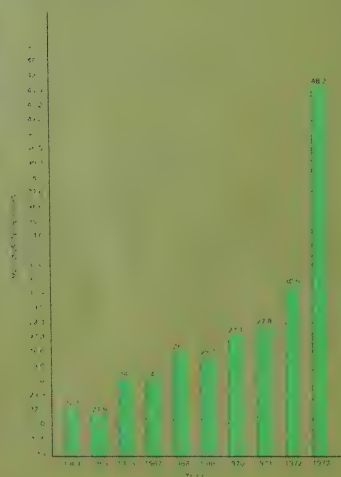
LONG TERM DEBT

(Millions of Dollars)



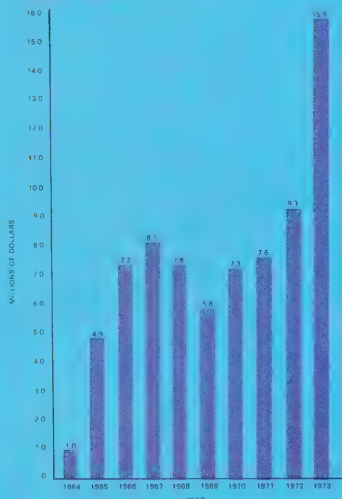
FIXED ASSET VALUE—NET AFTER DEPRECIATION

(Millions of Dollars)



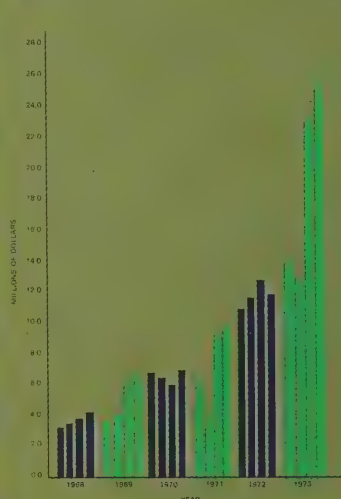
WORKING CAPITAL

(Millions of Dollars)

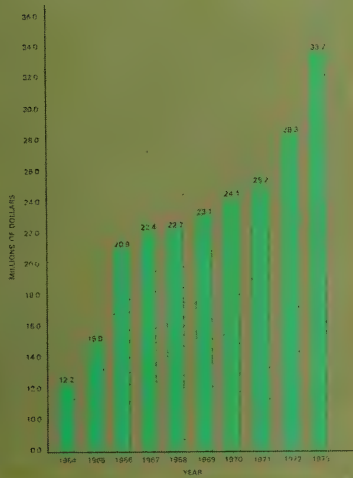


SALES BY QUARTERS

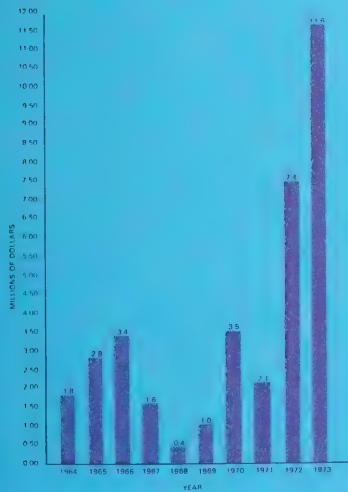
(Millions of Dollars)



SHAREHOLDERS' EQUITY (Millions of Dollars)



NET PROFIT—BEFORE INCOME TAX (Millions of Dollars)



The IPSCO Wildlife and Recreational Park adjacent to the Regina mills is open to the public. Each year thousands of people visiting Saskatchewan make use of these facilities.

The IPSCO Park was developed as a combined project with materials supplied by the Company and the labor donated by IPSCO employees. In August of 1973, IPSCO held an "Open House" to provide the public with an opportunity to tour the mills and park area. In one day 14,500 people visited the IPSCO facilities.

Ten Year Statistical Summary

(in thousands except as indicated*)

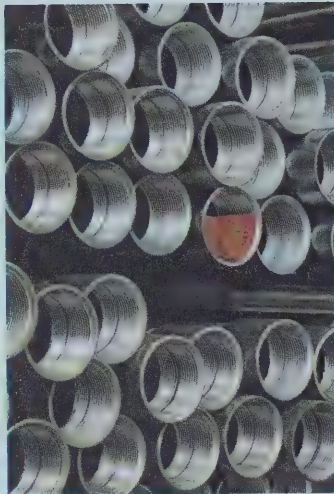
	1973	1972	1971	1970	1969	1968	1967	1966
Sales	\$74,977	47,493	30,075	26,672	20,483	15,515	14,658	17,329
Depreciation	\$ 1,692	1,306	1,197	1,095	990	917	770	753
Net Profit before Income Taxes ..	\$11,601	7,365	2,108	3,475	1,048	415	1,601	3,426
Income Taxes	\$ 5,105	3,584	1,088	1,712	514	—	—	—
Net Profit after Income Taxes ...	\$ 6,496	3,781	1,020	1,763	534	—	—	—
Net Profit per Share								
—Before Income Taxes* ...	\$ 3.38	2.35	.67	1.16	.31	.09	.51	1.17
—After Income Taxes*	\$ 1.89	1.19	.30	.56	.13	—	—	—
Dividends paid per common share*	\$.45	.30	.15	.10	—	—	—	—
Number of Common Shares	3,499	3,188	2,914	2,859	2,859	2,849	2,847	2,833
Number of Shareholders*	3,048	3,356	3,782	3,481	3,231	3,400	3,636	3,248
Shareholders' Equity	\$33,686	28,326	25,175	24,429	23,102	22,657	22,385	20,892
—Per Common Share*	\$ 9.63	8.38	7.74	7.61	7.15	7.02	6.93	6.44
Working Capital	\$15,924	9,310	7,556	7,272	5,752	7,360	8,073	7,236
Long-term Debt	\$21,201	6,808	6,891	7,729	7,834	10,884	9,917	10,495
Fixed Assets at Cost	\$56,026	38,846	35,033	33,269	30,932	30,484	27,759	27,050
Accumulated Depreciation	\$ 9,805	8,205	7,210	6,157	5,235	4,395	3,643	2,949
Fixed Assets (Net)	\$46,221	30,641	27,823	27,112	25,697	26,089	24,116	24,101

1965	1964
17,969	13,304
751	633
2,803	1,801
—	—
—	—
1.02	.67
—	—
—	—
2,740	2,702
2,642	2,274
15,031	12,153
5.49	4.50
4,892	1,045
12,031	11,150
24,292	23,835
2,370	1,729
21,922	22,106



IPSCO's Edmonton plant includes an 180,000 ton per annum capacity mill producing pipe in sizes 3½" to 16" diameter and a 48,000 ton per annum large diameter spiral weld mill capable of producing pipe in sizes up to 80" in diameter. The Edmonton spiral mill is designed so that an additional two mills can be added as markets warrant. There are also facilities for the production of casing, including fully automatic high-speed threading equipment.

The Port Moody plant produces a wide range of pipe products in diameters from ½" to 4½". These products have a variety of end uses including the transmission of gas, oil, water, steam, air and electrical power.

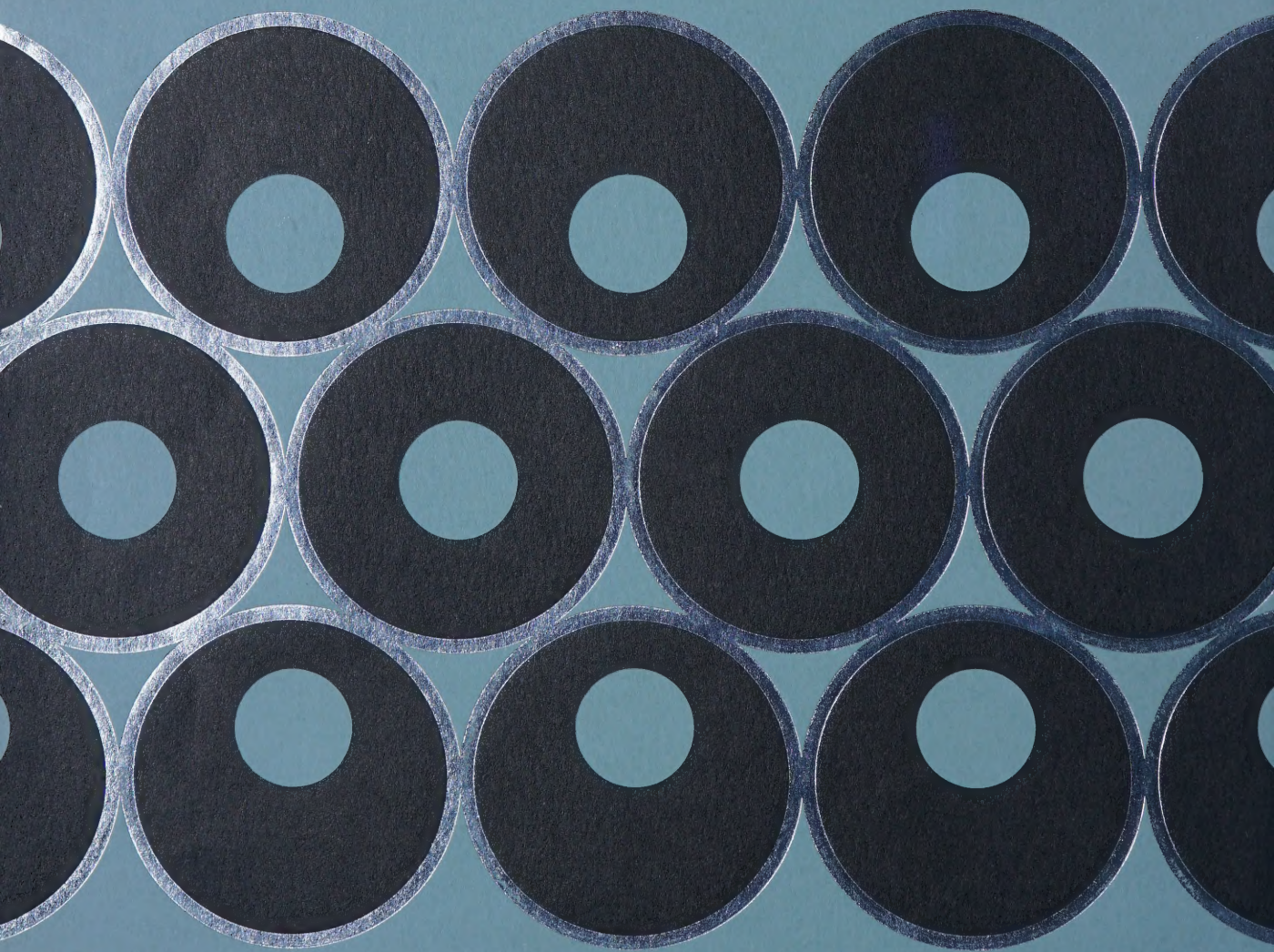


IPSCO tubing and casing has enjoyed a steadily growing demand and is supplied primarily to the Western Canadian market.

The Port Moody product range includes galvanized conduit material which is used in the construction industry.

IPSCO offers a variety of services in supplying customer requirements for special applications. These include end preparation on pipe, such as bevelling, grooving, threading and belling.

IPSCO sheet and plate is used extensively in the construction of marine equipment such as barges, tugs and other vessels.



INTERPROVINCIAL STEEL AND PIPE CORPORATION LTD.
AND SUBSIDIARY COMPANY

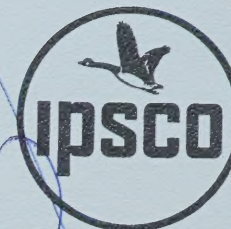
CONSOLIDATED INTERIM FINANCIAL STATEMENT
(Unaudited)

STATEMENT OF EARNINGS

	For the Six Months Sept. to Feb.	
	1973	1972
Revenue		
Sales	\$26,731,659	\$21,699,761
Expense		
Cost of Sales, exclusive of the following items . .	\$21,343,560	\$17,701,177
Interest on long-term debt	361,196	177,518
Other Interest	169,119	197,434
Depreciation	718,723	617,731
	\$22,592,598	\$18,693,860
Earnings before Income Taxes	\$ 4,139,061	\$ 3,005,901
Provision for Income Taxes		
Current	\$ 941,026	\$ 1,144,000
Deferred	939,000	359,000
	\$ 1,880,026	\$ 1,503,000
Net earnings for the period	\$ 2,259,035	\$ 1,502,901
Earnings per Common Share		
Actual	\$.66	\$.49
Fully diluted	\$.64	\$.45
Number of common shares	3,437,414	2,955,449

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of Funds		
From Operations:		
Net earnings	\$ 2,259,035	\$ 1,502,901
Non-cash charges		
Deferred income taxes	939,000	359,000
Depreciation	718,723	617,731
	\$ 3,916,758	\$ 2,479,632
Conversion of debentures and preference shares	1,751,983	51,968
Sale of 8 $\frac{7}{8}$ % 1st Mortgage Sinking Fund		
Debenture Series D	6,928,600	
	\$12,597,341	\$ 2,531,600
Application of Funds		
Expenditure for plant and equipment	\$ 4,484,184	\$ 734,665
Reduction of long-term debt	3,531,837	1,015,113
Purchase of preference shares	17,999	
Conversion of preference shares		
to common shares	1,599,544	
Dividends on preference shares	7,797	65,728
Dividends on common shares		437,961
	\$ 9,641,361	\$ 2,253,467
Increase in working capital	\$ 2,955,980	\$ 278,133
Working capital at beginning of period	9,310,175	7,556,360
Working capital at end of period	\$12,266,155	\$ 7,834,493



INTERIM REPORT

FOR THE SIX MONTHS
SEPTEMBER 1 TO FEBRUARY 28, 1973

← Statement of Earnings →

President's Remarks →

Interprovincial Steel and Pipe Corporation Ltd.
Regina, Saskatchewan, Canada

INTERPROVINCIAL STEEL AND PIPE CO. AR16 ON LTD.

TO THE SHAREHOLDERS:

Operations for the first six months of the current fiscal year, to February 28, 1973, set records in all divisions, including sales, production and earnings. Net earnings for the six month period amounted to \$2,259,035 after depreciation and income taxes. This compares to net earnings of \$1,502,901 for the comparable period in 1972. Net earnings per common share for the first half of the current fiscal year amounted to 66 cents as compared to 49 cents per share in 1972.

Steel production was maintained at a capacity level on the three furnaces in service during the first half of current fiscal year, with 156,589 ingot tons produced; an increase of 10% over the production for comparable period in 1972. Start-up of the third spiral pipe mill in December of 1972, together with increased rolling capacity available in December when the second M.G. set commenced operation, assisted in setting new production records. The fourth furnace, which was scheduled to start up in mid-January, did not produce until late March and this limited the availability of steel for the first half of 1973.

Net sales for the first half of 1973 amounted to \$26,731,659, an increase of 23% over the 1972 first half volume of \$21,699,761. This is the highest sales volume in IPSCO's history for first-half operations.

*electrical plant
for supplying
mill.*

EXPANSION PROGRAM

The 300,000 ton per annum ultra-high frequency electric steel furnace was completed by mid-February but while under test melt down of a steel charge a short circuit occurred which damaged the furnace transformer. Repairs to the transformer were completed in less than four weeks. All other phases of the expansion program were completed on target. During February, in lieu of new steel capacity from the fourth furnace, rolling schedules were maintained by drawing down ingot inventories. These will be built back now that the fourth furnace is producing.

ACQUISITION OF PIPE MILLS IN ALBERTA AND BRITISH COLUMBIA

On March 23, 1973, IPSCO completed the purchase of assets from Canadian Phoenix Steel & Pipe Ltd. Plant facilities at Edmonton, Alberta and Port Moody, British Columbia, were purchased for a cost of \$12,000,000. The Edmonton plant comprises a 3½" to 16" diameter pipe mill, a 20" to 80" spiral pipe mill and threading equipment used in the production of oil and gas well casing. Capacity of the 3½" to 16" diameter pipe mill is 180,000 tons per annum and the spiral pipe mill capacity is 48,000 tons per annum.

The Port Moody facilities include two mills, one in the size range from ½" to 1½" diameter and the other from 2" to 4½" diameter line pipe. There is also a galvanizing line and facilities for upsetting and threading oil and gas well casing and production tubing. The capacity of the Port Moody plant is 80,000 tons per annum.

IPSCO also purchased the inventories, accounts receivable and assumed the accounts payable for these two operations. After final adjustments, it is anticipated that the purchase price of all the assets will total \$18,000,000 comprised of \$12,000,000 for fixed assets and \$6,000,000 for the net of inventories, accounts receivable and accounts payable. Under separate contract IPSCO has agreed to manage the large diameter pipe mill located in Calgary (20" to 42" diameter pipe) for a five-year period.

FINANCIAL

The operations of IPSCO during the first half of the current fiscal year generated cash in the amount of \$3,916,758 comprised of net profits after taxes of \$2,259,035, deferred income taxes of \$939,000 and depreciation of \$718,723. In addition to cash generated from operations during this period, \$1,751,983 resulted from the conversion of debentures and preference shares and \$6,928,600 was received from the sale of 8⅞% Series E debentures. Total funds from all sources amounted to \$12,597,341.

During the first half of the current fiscal year, expenditures on plant and

equipment totalled \$4,484,184 and long-term debt was reduced by \$3,531,837. The conversion of preference shares to common shares represented an aggregate value of \$1,599,544 and \$17,999 was expended to redeem the remaining preference shares not converted after October 1, 1972. Dividends on preference shares totalled \$7,797 for a total application of funds of \$9,641,361. The balance of funds, \$2,955,980 was applied to increase working capital from \$9,310,175 at September 1, 1972 to \$12,266,155 as at February 28, 1973.

FUTURE OUTLOOK

IPSCO, with the acquisition of mills in Alberta and British Columbia, now has production facilities in three provinces in Western Canada. The current forward order position will require a capacity level of production in the large diameter mills at Regina and Edmonton; a capacity level of production of oil and gas well casing at Edmonton and a relatively high level of production on the ERW mills at Regina, Edmonton and Port Moody. The steel production and rolling mills will be maintained at a level of 450,000 tons per annum for the balance of the current fiscal year. This production capacity will be increased to 600,000 tons per annum this fall, on completion of two additional soaking pits for re-heating the steel ingots.

The expanded steel making and finishing capacity will permit an expansion in sales volume next year to a level of \$100,000,000, providing markets are available sufficient to absorb this additional production. Markets will be expanded geographically through increased sales into Eastern Canada and the United States of America in order to utilize the extra production capacity available. Steel sales through Lambton Steel Ltd. (a wholly-owned subsidiary) will also be expanded throughout the Western Canadian market.

The financing of the purchase of assets from Canadian Phoenix Steel & Pipe Ltd. was completed during March. A portion of this debt will either be converted to longer term financing or will be replaced by equity financing as determined by the Board of Directors.

J. N. TURVEY,
President.

April 16, 1973.